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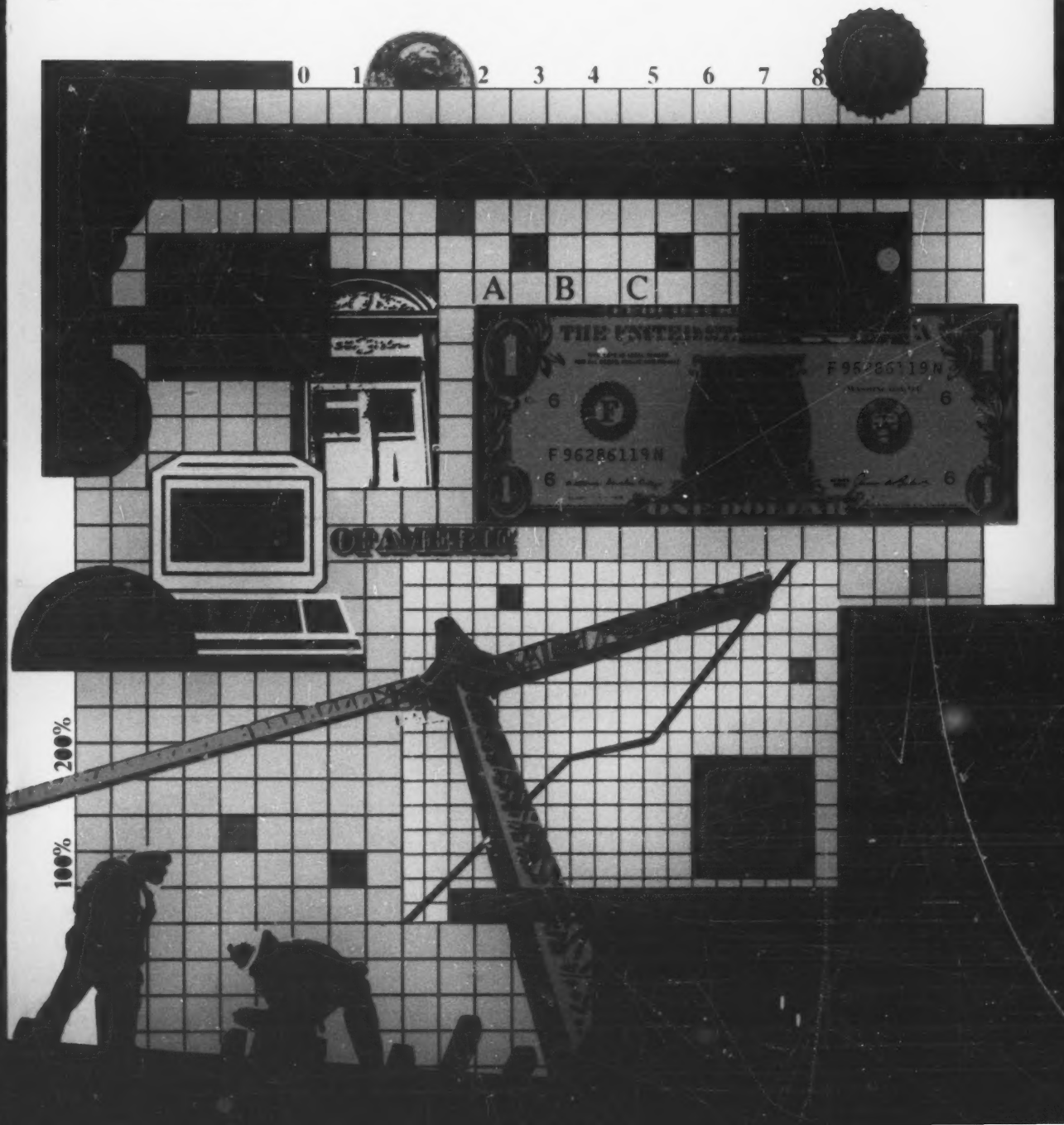
The NFIB Foundation

QUARTERLY ECONOMIC REPORT FOR SMALL BUSINESS

JULY 1989



Quarterly Economic Report for Small Business

July 1989

Prepared by
The NFIB Foundation

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NFIB.

NFIB QUARTERLY ECONOMIC REPORT
FOR SMALL BUSINESS
(REPORT NO. 64)

The 64th in series of quarterly economic reports based on survey data obtained during July 1989 by questionnaire from member firms of the National Federation of Independent Business, San Mateo, CA.

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ISSN #0362-3548

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SUMMARY OF RESULTS

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Economic activity slowed between April and July leaving small business owners concerned about the future, but sensing no immediate problem. Conditions throughout the late spring and early summer were stable though not particularly profitable. No trend appeared despite the modest rate of activity. Nor did small business owners see next quarter's activity moving in any direction. They expected neither the onset of recession nor an acceleration in the pace of activity. However, within July's data the relative strengths and weaknesses of various indicators shifted suggesting the existence of underlying changes which will eventually push overall activity in one direction or the other.

Softer economic conditions and reduced price pressures characterized the year's second quarter for the nation's small business owners. Most changes from the first quarter, where they occurred, were modest. Sales slipped somewhat. The frequency of capital outlays was down, offset by an increase in their average size. Not as many firms as in previous years accumulated inventories in the spring and early summer, but inventory satisfaction in July was almost identical to April's. Net new employment edged higher as did current job openings. Credit conditions were unchanged, though it was clear that many small business owners were reintroduced to falling interest rates by July's end. The sour note was the sharp decline in the Index of Small Business Earnings. With a sole exception, it dropped to the lowest point since the current expansion began almost seven years ago.

Small business owners raised average selling prices less frequently during the second quarter than they did in the first, reversing the sharp increase registered earlier in the year. But the unchanged frequency of increases in average employee compensation suggested some price pressures from labor costs. However, small business owners did not expect those pressures to last. The number planning average compensation increases over the next three months tumbled just as did the number planning to raise selling prices. Those now planning to raise prices over the next quarter parallels the number who planned to do so one year ago.

The small business outlook rebounded in July. While still anemic by historical standards, both expected general business conditions and the climate for small business expansion registered improvements from April. In fact, the outlook helped push the Index of Small Business Optimism up slightly to 99.8 (1978=100). Expectations for the coming quarter paralleled April's levels or declined modestly. However, inventory plans fell and employment plans declined. The latter was mitigated by the increase in current job openings which signified that locating qualified

employees is often more of a problem than is weak labor demand. But on balance, small business owner expectations indicated that the pace of economic activity would change little over the next three months.

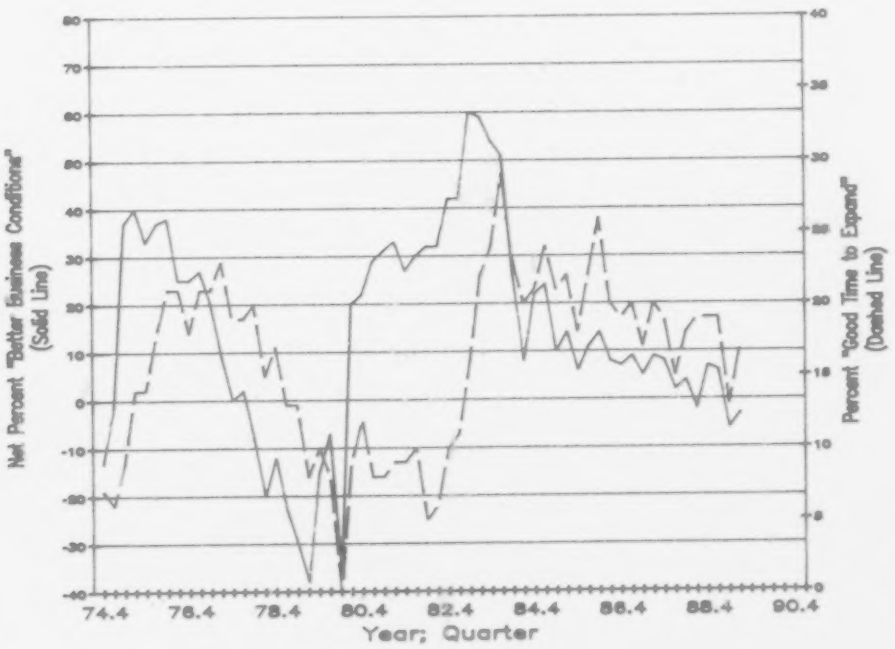
Outlook

The small business outlook rebounded in July. Expected General Business Conditions and the Climate for Small Business Expansion rose from their April levels. They were the first increases in three and four quarters respectively. While the increases were in one instance small and the other moderate, July's levels remained at a comparatively low points for their series (Chart 1).

July's data does not necessarily reverse the outlook's trend. Single quarter rises have occurred periodically since the outlook peaked in 1983 and began its erosion. But, rises in two consecutive quarters have occurred only once in Expected General Business Conditions and three times the Climate for Small Business Expansion since the 1981-82 recession. July halted the outlook's general decline, but it will take a second consecutive increase in October to provide evidence that the trend is in the process of reversal.

Chart 1

EXPECTED GENERAL BUSINESS CONDITIONS AND THE CLIMATE FOR SMALL BUSINESS EXPANSION



Expected General Business Conditions moved higher in July on a seasonally adjusted basis. However, in the last nine years, only April produced a poorer evaluation. The number of small business owners in July expecting conditions to worsen still exceeded the number expecting conditions to improve. Just 15 percent believed conditions would get better in the next three to six months compared to 21 percent who believed they would get worse (Table 1).

Table 1

EXPECTED GENERAL BUSINESS CONDITIONS OVER THE NEXT THREE TO SIX MONTHS COMPARED TO CURRENT QUARTER

EXPECTED CONDITIONS	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	1989 APR	1989 JUL
Much Better	2	2	1	2	2	1	1
Better	19	18	15	17	20	17	14
Same	56	59	54	53	58	54	58
Worse	15	13	18	15	11	19	19
Much Worse	2	1	3	1	2	2	2
Don't Know	5	6	8	11	7	7	6
No Answer	1	1	1	1	*	*	*
Total	100%	100%	100%	100%	100%	100%	100%

*Less than 0.5%

The Climate for Small Business Expansion moved up more sharply on a seasonally adjusted basis than did Expected General Business Conditions. Yet, this absolute measure of the outlook remained with one exception the lowest in the last five quarters and with three exceptions the lowest since early 1983. Just 17 percent believed it a good time for small business expansion (Table 2), suggesting a modest level on confidendence in the business climate.

Table 2

CLIMATE FOR SMALL BUSINESS EXPANSION IN NEXT QUARTER

GOOD TIME TO EXPAND	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	1989 APR	1989 JUL
Yes	20	20	19	16	17	16	17
No	48	42	43	47	44	48	45
Uncertain	31	37	37	37	38	35	37
No Answer	1	1	1	*	1	1	1
Total	100%	100%	100%	100%	100%	100%	100%

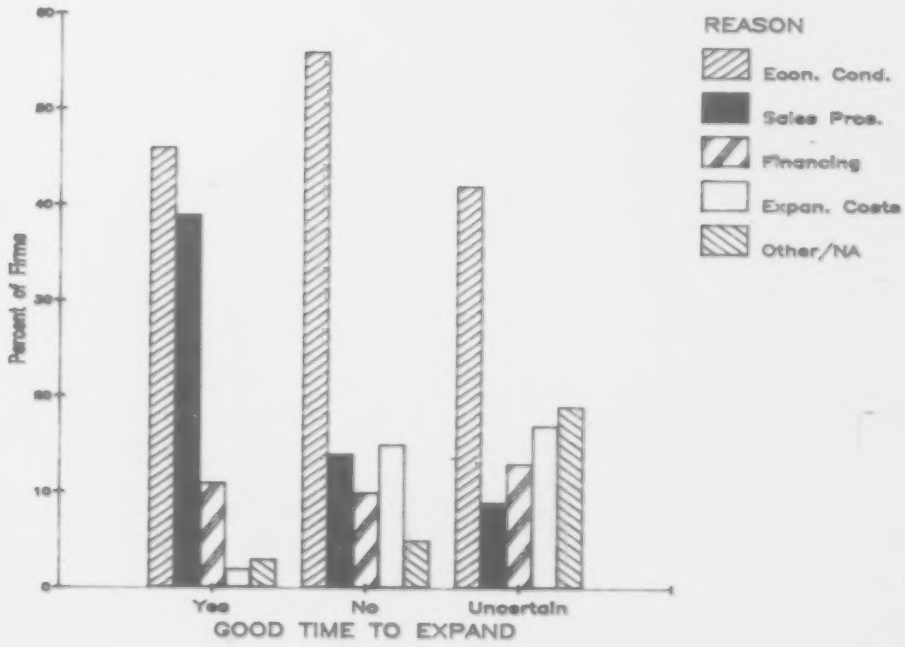
* Less than 0.5%

The more optimistic outlook exhibited in July appeared the direct result of declining interest rates at quarter's end. The number who cited "Financing and Interest Rates" as the primary reason for an optimistic view of the climate for expansion nearly tripled from April (Chart 2). The number who offered it as the primary reason for a negative view declined by 60 percent over the same period and those who cited it as the reason for uncertainty declined by almost half.

Easing price pressures (see, Prices) appeared to have no influence on the outlook in July. The proportion who gave "Expansion Costs" as the primary reason for their view of the climate was virtually unchanged from April. These data provide further evidence that the sharp rise in the price level that was recorded early in the year has had little effect on small business owners except as it has influenced interest rates.

Chart 2

"GOOD TIME TO EXPAND" by REASON
FOR VIEW OF EXPANSION



Credit Conditions

Interest rates paid by small business owners on short-term loans continued to rise throughout the late spring and into the summer. It was not evident until late in the quarter that they had peaked

and were moving down. The new direction in interest rates positively affected the small business outlook (see, Outlook), but was too late to have any impact on slowing capital expenditures (see, Capital Expenditures).

Interest rates by small business owners on short-term loans rose 2/10's of a percent over the quarter making rates more than two percentage points higher than they were just two years ago (Table 3). However, the decleration of rates was evident in the decreasing numbers who indicated that rates were higher and the increasing numbers who indicated that rates were either the same or lower. Just 14 percent reported interest rates higher in the second quarter than in the first (Table 4). Meanwhile, 12 percent reported no change compared to four percent who had three months earlier. Seven percent reported them lower compared virtually no one in April.

Table 3

INTEREST RATE PAID ON SHORT-TERM LOANS

INTEREST RATE	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	1989 APR	1989 JUL
Under 10%	4	9	4	3	2	4	1
10%-12%	29	29	34	38	36	29	24
13%-15%	14	6	7	8	10	13	17
16% or More	2	3	2	2	3	3	2
Prime +1	28	30	29	27	28	25	29
Prime +2	18	20	20	18	18	21	23
Prime +3 or More	5	3	4	4	3	5	4
Total	100%	100%	100%	100%	100%	100%	100%
AVERAGE RATE	11.7%	10.6%	11.2%	11.6%	12.0%	12.6%	12.8%

*Less than 0.5%

Modest borrowing activity reflected higher borrowing costs. Just 35 percent classified themselves "regular borrowers." The number ties the survey record low established one year ago. The lower borrowing frequency corresponds to weakening capital expenditures (see, Capital Expenditures). Though strong earnings have meant that borrowing and capital expenditures have not always been related directly, eroding earnings suggest that borrowing will be required more frequently to finance business expansion.

Small business owners also found it relatively easier to obtain a loan in the second quarter than in the first. Eight percent indicated that loans were "harder" to get in the second quarter than in the first (Table 5). The number was down from 11 percent the prior quarter. Traditionally, a larger percentage suggest that loans are more difficult to get than suggest they are easier to get. July's data approximated the series average.

Lower rates at the quarter's end influenced small business owners to believe that credit conditions would improve in the next

Table 4

CURRENT INTEREST RATE COMPARED TO
INTEREST RATE IN PRIOR QUARTER

RELATIVE INTEREST RATES	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	1989 APR	1989 JUL
Much Higher	*	1	*	1	2	7	1
Higher	2	18	17	22	25	29	14
Same	15	16	15	13	9	4	12
Lower	22	2	1	1	1	*	7
Much Lower	1	*	*	*	*	*	*
Don't Know	*	1	2	1	1	1	1
Inapplicable (borrow infre-frequently;no answer)	60	62	65	62	62	59	65
Total	100%	100%	100%	100%	100%	100%	100%

Table 5

AVAILABILITY OF LOANS
COMPARED TO PRIOR THREE MONTHS

LOAN AVAILABILITY	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	1989 APR	1989 JUL
Easier	3	2	1	1	1	1	1
Same	28	27	25	28	27	27	25
Harder	8	8	7	7	8	11	8
Don't Know	1	1	2	2	2	2	1
Inapplicable (Don't Borrow; No Answer)	60	62	65	62	62	59	65
Total	100%	100%	100%	100%	100%	100%	100%

three months. Just eigth percent expected credit conditions to deteriorate in the the coming quarter, down from 13 percent in April (Table 6). The five percentage point improvement is substantial and helps explain the more positive outlook (see, Outlook).

Prices

July's data presented "good news" on inflation. Not only was the frequency of small business price increases lower in the second quarter than in the first, but small business owners expected to raise selling prices less frequently in the third quarter than they did in the second. Other survey measures reflecting concern with inflation generally corroborated the direct price evidence. (See, Outlook, Compensation, Earnings, Single Most Important Problem.)

Table 6

EXPECTED FINANCING CONDITIONS NEXT QUARTER
COMPARED TO THE CURRENT QUARTER

CREDIT EXPECTATIONS	1986 JUL	1987 JUL	1988 JUL	1988 OCT	JAN	1989 APR	JUL
Easier	2	2	2	2	1	1	1
Same	27	25	22	24	24	23	23
Harder	8	8	8	9	9	13	8
Don't Know	3	3	3	3	4	4	3
Inapplicable (Don't Borrow; No Answer)	60	62	65	62	62	59	65
Total	100%	100%	100%	100%	100%	100%	100%

The first quarter brought the worst set of small business inflation figures since July, 1981. In April, 36 percent reported raising prices the prior three months. That number fell back to 29 percent in the following quarter (Table 7), making July's report consistent with the percent raising prices in six of the prior seven quarters. While the price "spike" recorded earlier in the year now appears a one-time occurrence, the 29 percent level still is about 50 percent (10 percentage points) higher than the level registered between 1984 and 1986.

Table 7

CURRENT AVERAGE SELLING PRICES COMPARED TO PREVIOUS
QUARTER'S AVERAGE SELLING PRICES

AVERAGE SELLING PRICES	1986 JUL	1987 JUL	1988 JUL	1988 OCT	JAN	1989 APR	JUL
Lower Now	16	10	9	8	8	9	9
No Difference	61	62	58	59	58	52	59
Higher Now	20	24	29	29	29	36	29
Less than 1%	*	1	1	*	1	*	1
1.0-1.9%	2	3	3	4	4	4	3
2.0-2.9%	3	3	5	4	5	5	5
3.0-3.9%	2	3	3	5	4	5	4
4.0-4.9%	2	3	4	4	4	5	4
5.0-7.9%	5	5	6	6	6	9	6
8.0-9.9%	1	2	1	1	1	2	1
10% or More	4	3	5	4	3	4	4
No Answer	1	1	1	1	1	2	1
No Answer	3	4	4	4	5	3	3
Total	100%	100%	100%	100%	100%	100%	100%

* Less than 0.5%

Lower frequency in planned price increases accompanied the lower frequency in selling price increases. Small business owners clearly saw prices softening. Twenty-four (24) percent reported plans to raise prices in the next three months, a decline of four percentage points since April (Table 8). July's plan indicate that the inflation rate will slip back to about 4.5 percent (annualized) over the next few months (Chart 3).

The percentage who were uncertain about their next quarter's pricing plans also fell. Less uncertainty suggests that small business owners feel more confident that they will not receive any unpleasant surprises from their suppliers in the coming three months. Small business owners obviously believe the winter was an abberation.

Table 8

PLANNED PRICE CHANGES FOR NEXT QUARTER

PLANNED PRICE CHANGES	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	1989 APR	1989 JUL
Lower	5	3	2	3	2	3	3
No Change	60	58	53	56	49	51	59
Increase	19	22	26	25	30	28	24
Less than 1%	1	1	*	*	*	*	*
1.0-1.9%	2	2	2	3	3	3	3
2.0-2.9%	3	4	3	4	4	5	4
3.0-3.9%	3	4	4	4	4	4	3
4.0-4.9%	2	2	4	3	4	4	3
5.0-7.9%	4	5	7	7	9	7	6
8.0-9.9%	1	1	2	1	1	1	1
10% or More	2	2	3	3	3	3	3
Don't Know	1	1	2	*	3	1	1
Don't Know	13	13	14	12	13	14	12
No Answer	3	4	5	4	6	4	2
Total	100%	100%	100%	100%	100%	100%	100%

*Less than 0.5%

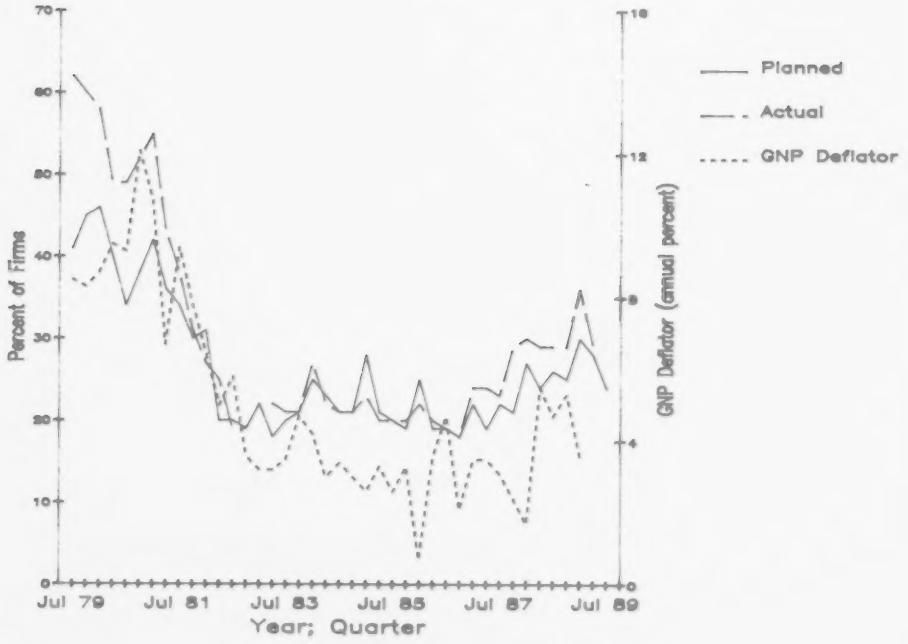
Plans to raise prices were nearly uniform across industry. The two industries which did not follow the pattern were financial services and agriculture (n=84), both of which recorded substantially fewer planning to raise prices than in other industries. Falling interest rates explain plans in the financial services industry.

Compensation

Second quarter compensation increases appeared moderate. Twenty-six (26) percent reported raising average employee compensation by an average of 6.0 percent (Table 9). The increase translates to a rise of 1.5 precent for all firms.

Chart 3

THE FREQUENCY OF PLANNED AND ACTUAL
PRICE INCREASES



The number of small business owners reporting higher average compensation costs has been rising over the last two years. In July, 1986, just 18 percent reported raising average compensation costs over the prior three months. The figure reached 26 percent by April, 1988, and has remained there in three of the last four quarters. However, the average hike per firm raising compensation has not changed appreciably, implying a modest rise in aggregate costs.

The size of compensation increases are surprising given tight labor markets in parts of the country. But as a general rule, there is a direct relationship between the frequency of compensation increase in the last three months and current job openings (a proxy for labor demand). For example, compensation increases were most frequently awarded in the Mid-Atlantic states. Small business owners in the Mid-Atlantic states also had the second greatest frequency of current job openings. Similarly, small business owners in the West South Central states provided the least frequent compensation increases (19 percent) and least frequently had a current job opening (16 percent).

Plans to raise average employee compensation in the next three months fell in July. Just 18 percent planned such increases, down

four percentage points from April and six from January (Table 10). The average planned increase per firm with higher average employee compensation was 5.6 percent. However, compensation plans are highly seasonal and July is the month when plans are traditionally fewest. The series relatively short life-span does not yet allow seasonally weights to be attached. Thus, the decline in plans suggest that fewer average compensation increases will occur in the third quarter than in the second, but the reduction will not be as great as plans indicate.

Table 9

CHANGE IN AVERAGE COMPENSATION
OVER THE PAST THREE MONTHS

COMPENSATION CHANGE	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	1989 APR	1989 JUL
Increased	21	23	25	26	24	26	26
1-2%	3	3	3	3	3	3	4
3-4%	5	7	7	8	7	7	6
5-6%	7	7	8	7	7	7	9
7-8%	3	2	3	3	3	3	3
9-10%	2	2	2	2	2	3	3
Over 10%	1	1	2	2	5	2	1
No Answer	*	1	*	1	*	1	*
Same	71	70	69	67	69	68	67
Decreased	2	1	1	1	1	1	1
No Answer	6	6	5	6	6	5	6
Total	100%	100%	100%	100%	100%	100%	100%
AVERAGE INCREASE							
Firms Increasing	5.8%	5.9%	5.9%	5.8%	5.9%	5.9%	6.0%
All Firms	1.3%	1.4%	1.5%	1.5%	1.4%	1.5%	1.5%

* Less that 0.5%

Sales

Despite generally weakening conditions, small business sales have held up reasonably well over the last year. Sales declines have been relatively small and they started from a substantial base. In July, 39 percent reported higher sales than in the prior quarter compared to to 20 percent who reported them lower (Table 11). The result was a small slide in the seasonally adjusted Index of Small Business Sales (Chart 4). Yet, even with the slide, the Index remained above the level registered in nine of the last twenty quarters.

Small business owners expected slightly lower sales for the third quarter than they did for the second (on a seasonally adjusted basis). However, they were the least optimistic sales expectations

Table 10

PLANS TO CHANGE AVERAGE COMPENSATION
OVER NEXT THREE MONTHS

COMPENSATION CHANGE	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	1989 APR	1989 JUL
Increase	16	17	18	21	24	22	18
1-2%	2	2	1	2	2	2	2
3-4%	4	6	6	7	7	6	6
5-6%	5	5	6	7	9	7	6
7-8%	1	1	1	1	2	2	2
9-10%	1	1	2	2	2	2	1
Over 10%	1	1	1	1	1	1	*
Don't Know	1	1	1	1	1	1	*
No Answer	1	*	*	*	*	1	1
Same	70	69	67	66	63	66	69
Decrease	2	1	1	1	1	*	1
Don't Know	9	10	11	10	9	10	9
No Answer	3	3	3	2	3	2	3
Total	100%	100%	100%	100%	100%	100%	100%

AVERAGE INCREASE	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	1989 APR	1989 JUL
Firms Increasing	5.2%	5.6%	5.8%	5.4%	5.9%	5.8%	5.6%
All Firms	0.8%	0.9%	1.0%	1.1%	1.4%	1.3%	1.0%

*Less than 0.5%

in 11 quarters. Forty-four (44) percent expected higher sales in the coming quarter compared to 19 percent who expected them lower (Table 12). However, the net percent expecting higher sales in the next quarter normally exceeds the net percent realizing them after the quarter by about 25 percentage points.

Table 11

DOLLAR SALES VOLUME COMPARED TO PRIOR
QUARTER'S DOLLAR SALES VOLUME

DOLLAR SALES VOLUME	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	1989 JUL	1989 JUL
Much Higher	4	4	4	3	4	3	3
Higher	33	34	36	32	29	26	36
About the Same	38	41	38	45	40	40	40
Lower	20	17	18	17	22	25	17
Much Lower	4	2	3	2	3	5	3
No Answer	1	2	1	1	2	1	1
Total	100%	100%	100%	100%	100%	100%	100%

Table 12

REAL SALES EXPECTATIONS FOR NEXT QUARTER

EXPECTED REAL SALES	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1988 JAN	1989 APR	1989 JUL
Go Up A Lot	7	8	8	9	8	11	6
Go Up A Little	41	42	39	34	36	45	38
Stay the Same	28	31	30	26	29	22	32
Go Down a Little	16	13	15	20	18	14	16
Go Down a Lot	3	2	3	6	4	3	3
Don't Know	4	3	4	3	3	3	3
No Answer	1	1	1	2	2	2	1
Total	100%	100%	100%	100%	100%	100%	100%

*Less than 0.5%

Earnings

The Index of Small Business Earnings tumbled sharply in July (Chart 4). Its new level was the lowest point in ten quarters. Twenty-six (26) percent reported higher earnings in the first quarter than in the second compared to 32 percent who reported them lower (Table 13).

Table 13

NET EARNINGS COMPARED TO PRIOR QUARTER'S NET EARNINGS

NET EARNINGS	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1988 JAN	1989 APR	1989 JUL
Much Higher	2	1	2	2	2	1	1
Higher	24	25	25	22	21	18	25
Same	41	43	41	46	43	41	41
Lower	26	25	25	25	27	32	28
Much Lower	5	3	4	4	4	5	4
No Answer	2	3	3	2	3	3	1
Total	100%	100%	100%	100%	100%	100%	100%

Sales volume was the reason most often cited for lower earnings (Table 14). The number pointing to lower sales (43 percent) was typical of the levels recorded over the last few years. However, the reason cited more often than usual was factor costs. Thirty (30) percent of those with lower earnings noted them, four percentage points more than last July and 13 percentage points more than July, 1986. Of the factor costs causing problems, rising material and labor costs were the two principally responsible.

Chart 4

INDICES OF SMALL BUSINESS
SALES AND EARNINGS

While most data in July's report indicates that rising prices have returned to the levels experienced over the last few years, one residual of the first quarter price run-up could easily be small business earnings.

Over half of those with higher earnings cited sales volume as the primary reason and another one quarter plus cited seasonality. Just eight percent attributed higher earnings primarily to price increases. The modest number using price increases to boost earnings indicates that sales volume will not support higher prices generally.

Employment

Small business continued to hire in enormous quantities during the second quarter, but evidence of a weakening demand for employees began to creep up. Still, current job openings remained very high, particularly in some parts of the country. The changing employment condition suggested that while unemployment may rise slightly in the coming months, employee shortages will be the focus of concern rather than a shortage of jobs.

Table 14

PRIMARY REASON FOR EARNINGS CHANGE

REASON FOR HIGH NET EARNINGS	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	1989 APR	1989 JUL
Sales Volume	55	57	59	58	60	59	56
Higher Prices	10	7	7	11	9	11	8
Factor Costs*	5	6	1	6	6	7	4
Seasonality	21	21	22	19	18	12	27
Other; NA	9	9	11	6	8	11	5
Total	100%	100%	100%	100%	100%	100%	100%

REASON FOR LOWER NET EARNINGS	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	1989 APR	1989 JUL
Sales Volume	45	43	41	39	40	39	42
Factor Costs*	17	25	26	28	21	25	27
Seasonality	12	13	13	17	24	20	15
Other; NA	26	19	20	15	15	16	16
Total	100%	100%	100%	100%	100%	100%	100%

* Includes labor, material, and financing costs.

Twenty-one (21) percent increased net employment during the second quarter compared to just 11 percent decreasing net employment (Table 15). With the particularly large number of new jobs per firm hiring, the average net change per firm rose to +.33, the strongest employment performance by operating small businesses since the second quarter of 1985.

Current job openings remained strong, only one percent below the expansion high 25 percent set in October, 1988. Twenty-four (24) percent reported at least one job opening in July (Table 16). Seven percent indicated at least one vacancy for unskilled workers, demonstrating that labor shortages are not confined to those needing esoteric skills.

Plans to make net additions to the labor force indicated that the demand for employees among small businesses may be sagging. Though the total growth in employment has eroded recently, small business owners have provided no indication that they planned to reduce hiring. That situation appeared to be changing in July. For the second consecutive quarter, hiring plans tumbled on a seasonally adjusted basis. Just 15 percent expected to add net employment in the next three months compared to 10 percent expecting net reductions (Table 17). The net +5 percentage point difference represented the weakest set of employment plans in 11 quarters.

The continued strength of small business employment has not been confined to any industry. It has been widespread. However, some industries have consistently exhibited a greater need for employees

Table 15

AVERAGE EMPLOYMENT CHANGE IN PAST QUARTER

EMPLOYMENT CHANGE	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1988 JAN	1989 APR	1989 JUL
Increased	21	20	20	16	14	14	21
Seasonal	11	10	10	5	5	5	11
Non-seasonal	10	10	10	11	9	9	10
Decreased	13	11	10	13	13	13	11
Seasonal	3	3	2	5	6	4	2
Non-seasonal	10	8	8	8	7	9	9
No Change	65	65	68	69	70	72	68
No Answer	1	4	2	2	3	1	*
Total	100%	100%	100%	100%	100%	100%	100%
NUMBER OF EMPLOYEES							
Employees increased per firm increasing	3.7	3.8	3.9	3.6	3.9	3.6	4.2
Employees decreased per firm decreasing	3.7	4.7	3.3	3.7	3.7	4.2	3.1
Average net change per all firms	+.29	+.25	+.44	+.10	+.05	-.43	+.53

*Less than 0.5%

Table 16

CURRENT JOB OPENINGS

CURRENT JOB OPENINGS	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1988 JAN	1989 APR	1989 JUL
Yes	17	21	21	25	24	23	24
Skilled Labor	12	14	15	16	15	15	17
Unskilled Labor	2	3	3	4	5	4	3
Both	3	4	3	5	4	4	4
No	82	78	78	74	75	76	75
No Answer	1	1	1	1	1	1	1
Total	100%	100%	100%	100%	100%	100%	100%

than have others. July's data, typical of recent reports, showed greatest demand for employees lying in the financial services, services, transportation (n=63) and manufacturing. The retail and agriculture industries were the ones showing least strength. A similar regional pattern, extensively described in earlier reports, also existed. The east coast and the Great Lakes area exhibited greatest demand and the West South Central region the least.

Table 17

EXPECTED NET LABOR FORCE CHANGES
IN NEXT QUARTER

NET LABOR FORCE CHANGE EXPECTATION	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	1989 APR	1989 JUL
Increase	14	16	16	18	20	23	15
Keep the Same	75	75	73	69	69	69	74
Decrease	9	8	9	11	7	5	10
No Answer	2	1	2	2	4	3	1
Total	100%	100%	100%	100%	100%	100%	100%

Inventory

Slipping sales left inventory accumulations in July average to slightly above average. The result was little dissatisfaction with current inventory levels, but a cautious attitude toward taking on new inventories in the next three months.

Twenty (20) percent reported increasing net inventories in the last three months compared to 15 percent reporting net declines (Table 18). The result was slightly higher accumulations than is typical in July, but not so large as to cause concern. In fact, small business owners were generally satisfied with their inventory levels at quarter's end. Ten (10) percent indicated that inventories were "Too Low" and 12 percent indicated they were "Too High" (Table 19). The net -2 percent figure has typlified inventory satisfaction levels since January, 1987.

Table 18

INVENTORY CHANGE IN PRIOR QUARTER

INVENTORY CHANGE	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	1989 APR	1989 JUL
Increase	21	20	21	20	17	20	20
Same	40	43	45	46	42	43	44
Decrease	18	16	13	14	19	17	15
Not Applicable	19	19	19	18	19	19	20
No Answer	2	2	2	2	3	1	1
Total	100%	100%	100%	100%	100%	100%	100%

Despite the relative comfort small business owners exhibited over current inventory levels, they were no in hurry to make additions. Just 16 percent planned net additions in the coming quarter with 15 percent planning declines (Table 20). Seasonally adjusted, July's plans represented a sharp fall from April. They were the

poorest set of inventory plans in 11 quarters. However, the decline is not surprising. Expectations of lower sales, prior accumulations a bit higher than usual, high - but declining - carrying costs and poorer earnings are an ideal formula to yield lower inventory plans.

Table 19

CURRENT INVENTORY SATISFACTION

INVENTORY LEVEL	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	1989 APR	1989 JUL
Too Large	12	10	12	10	12	11	12
About Right	55	57	54	58	55	56	55
Too Low	9	10	10	10	10	10	10
Not Applicable	21	21	20	20	21	21	19
No Answer	3	2	2	2	2	2	4
Total	100%	100%	100%	100%	100%	100%	100%

Table 20

NET INVENTORY CHANGE PLANNED IN NEXT QUARTER

PLANNED INVENTORY CHANGE	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	1989 APR	1989 JUL
Add	16	17	16	17	22	21	16
No Change	45	46	45	44	43	44	46
Decrease	16	14	15	17	12	12	15
Not Applicable	20	20	21	20	20	20	15
No Answer	3	3	3	2	3	3	8
Total	100%	100%	100%	100%	100%	100%	100%

Capital Expenditures

The frequency of capital expenditures declined between April and July. Fifty-four (54) percent reported making one or more capital expenditures in the last three to six months, down three percentage points from April's report (Table 21). The most frequent investments were in equipment and vehicles. Forty-five (45) percent made at least one capital investment in them, down from January and April but higher than customary at this time of year.

The less frequent expenditures were offset, however, by the increased average size of outlays. Thirty-five (35) percent of the outlays reported in July were less than $10,000 (Table 22). The characteristic figure for investments under $10,000 has been over 40 percent. The increased size of capital expenditures resulted from greater percentages in the $10,000-$49,000 range. The number of large investments did not change appreciably.

Table 21

PERCENT MAKING CAPITAL EXPENDITURES
IN LAST SIX MONTHS

TYPE OF EXPENDITURE	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	1989 APR	1989 JUL
All Types+	51%	55%	56%	55%	57%	57%	54%
Equipment/ Vehicles	40	43	44	44	49	46	45
Add Buildings	7	7	7	7	7	8	7
Improved Buildings	14	16	16	18	14	16	15
Land	5	4	3	4	4	4	4

+Percent of firms making one or more capital expenditures

Table 22

CAPITAL EXPENDITURES MADE IN LAST SIX MONTHS
BY SIZE OF TOTAL EXPENDITURES

AMOUNT OF EXPENDITURES (000's)	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	1989 APR	1989 JUL
Under $1	6	7	8	7	6	6	4
$1 - 4	21	22	20	20	22	19	18
$5 - 9	13	15	14	13	13	16	13
$10 - 19	17	19	22	21	22	17	24
$20 - 49	21	17	17	17	18	18	20
$50 - 99	10	10	9	11	9	10	9
$100 - 499	9	8	8	8	8	11	11
$500 - 999	1	1	2	2	1	2	*
$1,000 or More	2	1	*	1	1	1	1
Total	100%	100%	100%	100%	100%	100%	100%

* Less than 0.5%

Despite declining earnings and weaker demand, 31 percent of small business owners planned to make one or more capital expenditures in the next three to six months (Table 23). Seasonally adjusted, July's plans were identical to April's and only three percentage points off the survey record high recorded in October, 1988 and January, 1989. In fact, July plans were more favorable than those recorded in 12 of the last 16 quarters.

Capital expenditures made in small businesses have peaked twice during the expansion. The first occurred in 1985 and early 1986. It was followed by a lull the next three to four quarters. A second peak occurred in 1988 and early 1989. While small business owner plans suggested that more quarters will be added to the second peak,

several currently changing factors could influence their direction. In fact, the most recent numbers indicate they have already slowed. This condition is reenforced by earnings and sales which have begun to move lower (see, Earnings, Sales) though both are high by series averages. Offsetting those factors are falling interest rates (see, Credit Conditions) and stabilizing prices (see, Prices). If capital expenditures do remain at their current high levels, however, a large portion of those investments will almost assuredly be directed to increasing productivity rather than expanding the business.

Table 23

EXPECTED CAPITAL EXPENDITURES
IN NEXT THREE TO SIX MONTHS

CAPITAL EXPENDITURES EXPECTATIONS	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	1989 APR	1989 JUL
Yes	29	33	29	34	36	33	31
No	56	51	57	50	48	52	55
Don't Know	12	12	11	11	13	11	11
No Answer	3	4	3	5	3	4	3
Total	100%	100%	100%	100%	100%	100%	100%

Single Most Important Problem

"Taxes" once again was most frequently cited as the single most important problem of small business (Table 24). Twenty-one (21) percent noted "Taxes," one percentage point lower than in April. Not since October, 1984, has any problem other than "Taxes" been cited with greater frequency.

The relative frequency with which each survey problem has been cited has changed little during most of the expansion. This consistency suggests no overwhelming burden has preoccupied small business owners. Even responses written in have shown no pattern though insurance concerns for a while appeared to be a candidate for inclusion on the survey.

The lack of change in the single most important problem between the April and July surveys reflects the constant conditions over the period. Curiously, the frequency with which each problem was cited in July was within one percentage point - plus or minus - of the frequency with which it was cited in April.

Index of Small Business Optimism

The Index of Small Business Optimism nudged higher in July. It rose a modest 3/10's of a point from April to 99.8 (100=1978) (Table 25). Effectively, the Index showed no change from the previous quarter though it is about three percent lower than January's and last October's (Chart 5).

Table 24

SINGLE MOST IMPORTANT PROBLEM

Table 24

SINGLE MOST IMPORTANT PROBLEM

MOST IMPORTANT PROBLEMS	Prior High Date	%	Prior Low Date	%	1988 OCT Rank	%	JAN Rank	%	1989 APR Rank	%	JUL Rank	%
Taxes	4/88+	25	10/74	8	1	23	1	22	1	22	1	21
Inflation	10/74	41	10/87+	2	8	2	8	3	8	4	8	4
Poor Sales	10/82	23	1/75+	1	4	11	4	10	4	10	3	10
Interest Rates & Financing	4/82+	37	7/77	4	6	7	6	9	3	11	3	10
Cost of Labor	7/77	9	7/82	2	7	6	7	5	7	7	7	7
Government Regulation(s)/ Red Tape	1/88	18	7/82+	4	2	14	2	16	2	16	2	17
Competition from Large Business	10/76	13	4/80+	4	4	11	3	12	5	9	3	10
Quality of Labor	10/88+	12	1/83+	3	3	12	4	10	5	9	3	10
Shortage of Fuel Material, Goods	1/74	23	1/89+	*	9	*	9	*	9	*	9	*
Other; No Answer	-	-	-	-	-	14	-	13	-	12	-	11
Total					-	100	-	100	-	100	-	100

* Less than 0.5%
\+ Most recent

Table 25

INDEX OF SMALL BUSINESS OPTIMISM
BY MAJOR COMPONENTS

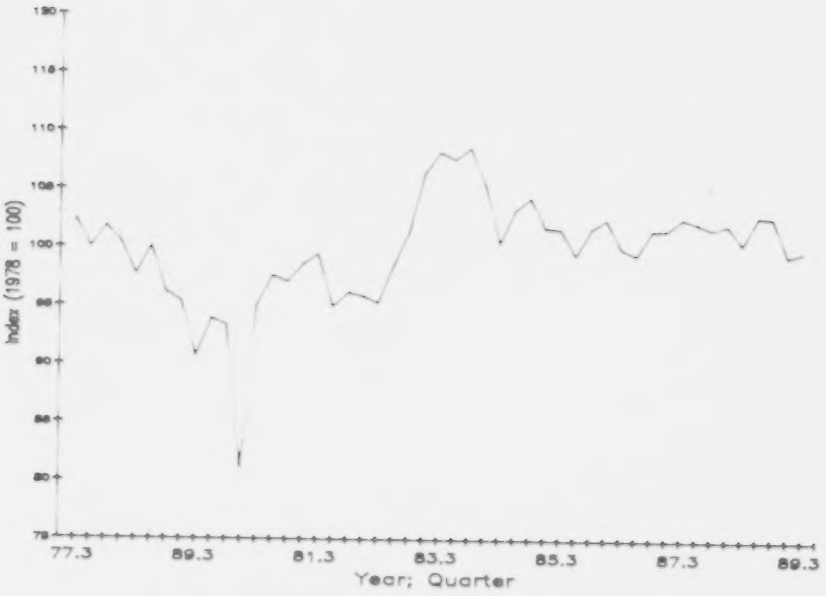
INDEX COMPONENTS	1986 JUL	1987 JUL	1988 JUL	1988 OCT	1989 JAN	APR	JUL
General Expectations[1]	112.0	113.8	109.3	107.3	110.5	110.3	107.8
Current Status[2]	102.3	106.3	105.7	106.3	104.3	101.3	106.0
Spending Plans[3]	111.3	114.3	113.0	113.7	119.7	120.0	112.3
Index*	108.9	111.7	109.3	103.7	111.4	110.5	108.6
Index (1978=100)+	100.1	102.7	100.5	102.9	102.8	99.5	99.8

*Index numbers
+Seasonally Adjusted
[1]Expected Business Conditions, climate for Expansion, Expected Real Sales Volume, Expected Conditions
[2]Current Job Openings, Current Inventory Satisfaction, Change in Net Earnings
[3]Plans to Hire, Make Capital Expenditures, Add to Inventories

The strength of the Index lay in the Current Status component. General Expectations fell in the middle. The weakness lay in Spending Plans. This reverses the trend of the last several quarters, particularly January and April, in which Spending Plans lead the way. Small business owners have recently believed that they individually would fare better than the general economy. The new attitude on Spending Plans suggest that they now are more inclined to believe that the economy will fare better than will they individually.

Chart 5

INDEX OF SMALL BUSINESS OPTIMISM



Regional Conditions

The fortunes of small business in the regions continually changes. But, July was symbolic because New England provided the lowest regional Index of Small Business Optimism in the nation. New England small business owners produced an Index score of 103.1, marginally lower than the Great Plains which produced the second lowest (103.8) (Chart 6).

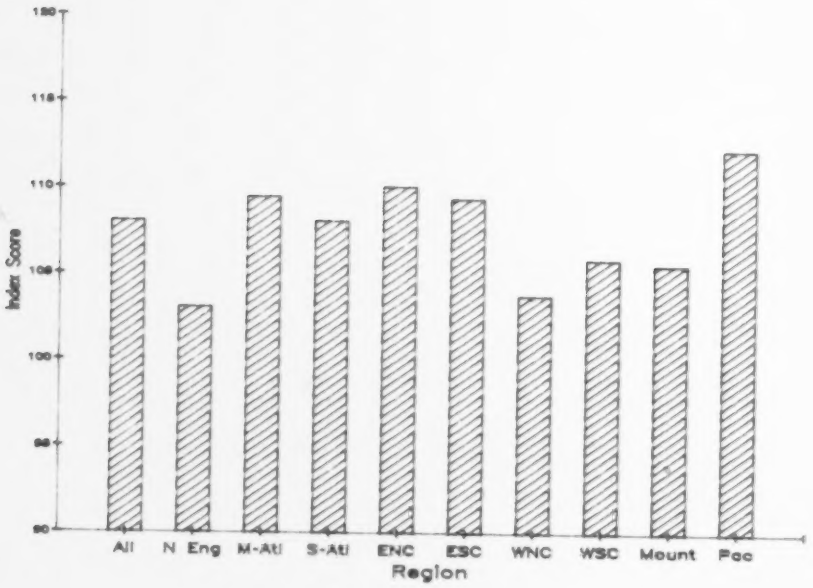
The reversal in New Englands's fortunes was as rapid as it was dramatic. Two years ago, July 1987, New England small business owners produced an Index score almost 10 points higher than its nearest rival. As recently as five quarters ago, its Index score was still the nation's highest. Despite its relative position, New England's Index score does not mean that small businesses in the region are faring worse than small businesses in all other regions.

The Index contains a number of "relative" questions which has the effect of exaggerating a steep decline. Nonetheless, it is a new day in New England and not a positive one economically.

Labor shortages are one of the reasons for New England's decline. That is a problem which is also beginning to seriously impact small businesses in the prosperous Mid-Atlantic region as well. Small business in the Mid-Atlantic region has held up comparatively well throughout the expansion and continues to do so. No evidence beyond labor shortages suggests that a reversal of relative fortunes is in the works. However, the labor shortages which adversely affected New England may do the same for the Mid-Atlantic states.

Chart 6

JULY INDEX OF SMALL BUSINESS OPTIMISM BY REGION



The East North Central region - the Great Lakes states - continued its emergence. Only the Pacific region produced a higher Index. Small business in the Great Lakes region has fared comparatively well during the expansion, particularly the latter part. The reason probably lies in the large concentration of small manufacturers which supply the nation's export industries. A second probably lies in the region's under-employed and quality labor force. However, the percent of small business in the region with at least one job opening now approaches the percentage reported in parts of the East.

Small business activity in the South Atlantic region approximates the national average. Small business owners in the region produced an Index score of 108.1, placing it in the middle of the nine regional scores. Differing from small business owners in other regions, small business owners in the South Atlantic region came roaring out the recession and then have watched optimism gradually erode. No major problems appear to exist in the region, but enthusiasm is tempered.

Owners of small firms in the East South Central region usually register an Index score around the national average. July was no different. While the quarter's score was above average suggesting better than average activity in the next three months, it was not high enough to suggest that activity would be strong.

The Index produced by small business owners in the West North Central region - the Great Plains - traditionally lags that produced elsewhere. The gap usually is about five percent lower than the national average. Invariably, the region's Index either is or is close to the nation's lowest. In July, only New England had a lower Index score. The difficulties of small business in the Great Plains is underscored by the consistency of its Index scores. The skewing effects of rapid change have had no influence on the region's Index. The problems are deep and show few signs of easing. Here, the problem is not the lack of labor; it is the lack of sales.

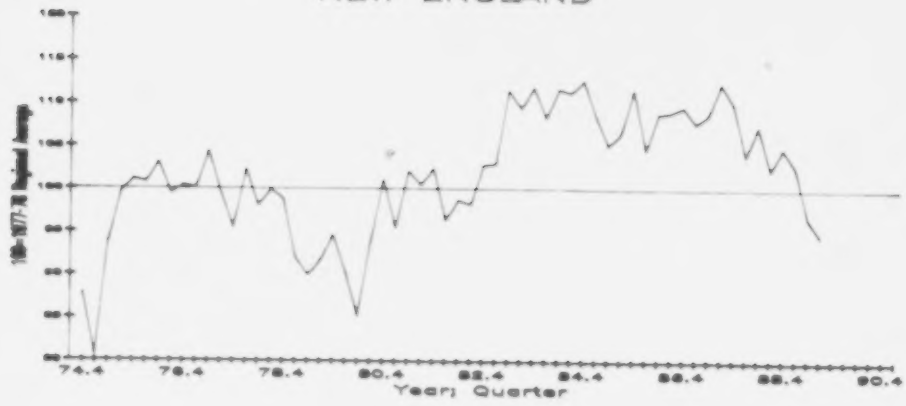
The Index of Small Business Optimism for the West South Central states remained below the national average in July. It has been there since late 1984. While it is clear small business has recovered to some extent from the poor conditions existing in 1986, the recovery remains incomplete. Moreover, the Index trend no longer shows a generally upward direction. It appears stalled though the last two quarters were encouraging.

Small business owners in the Mountain region saw their Index fall again. After what appeared to be the onset of a promising recovery in mid-1988, conditions turned sour again. Two of the last three quarters have produced sharply lower Index scores.

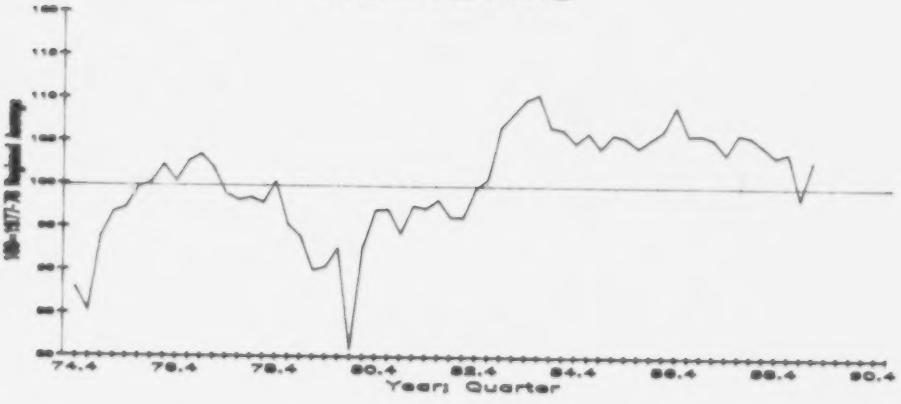
While the Index fell a bit in the Pacific region, it remained the nation's highest. The Pacific region's Index was about 4 percent higher than the national average. Since New England surrendered its leading position one year ago, small business owners in the Pacific have held the banner and do not seem yet to have a challenger.

The descriptions just provided are based on the direct comparison of regions. The charts that follow compare each region to its regional base period. Thus, the charts show a somewhat different portrait of regional performance than does the text.

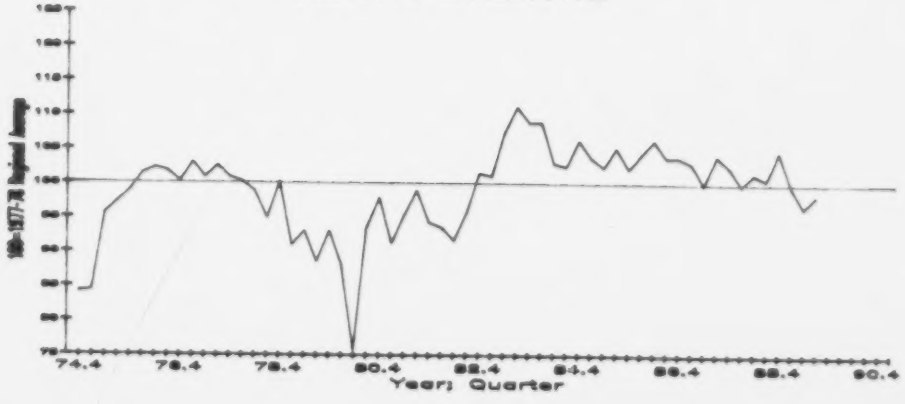
NEW ENGLAND



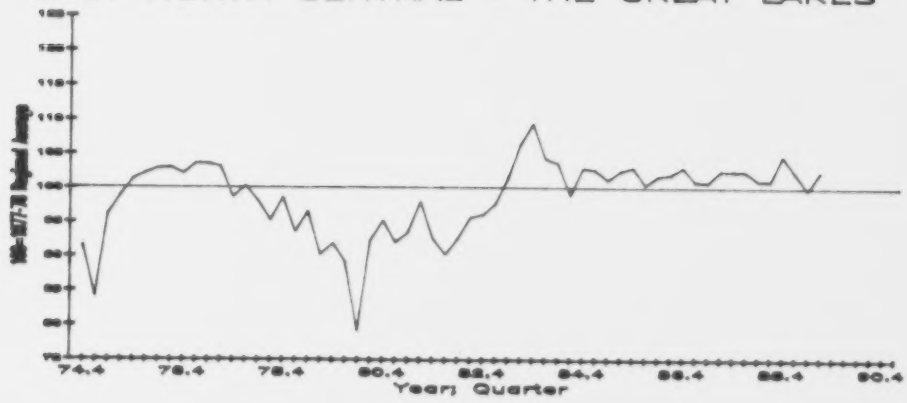
MID-ATLANTIC



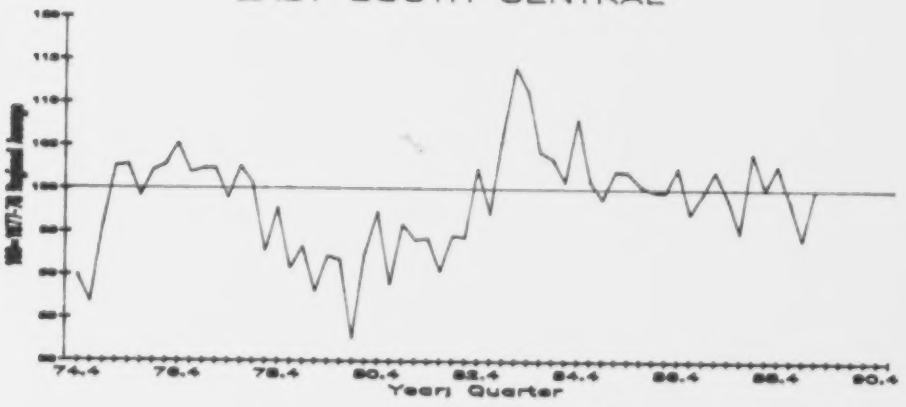
SOUTH ATLANTIC



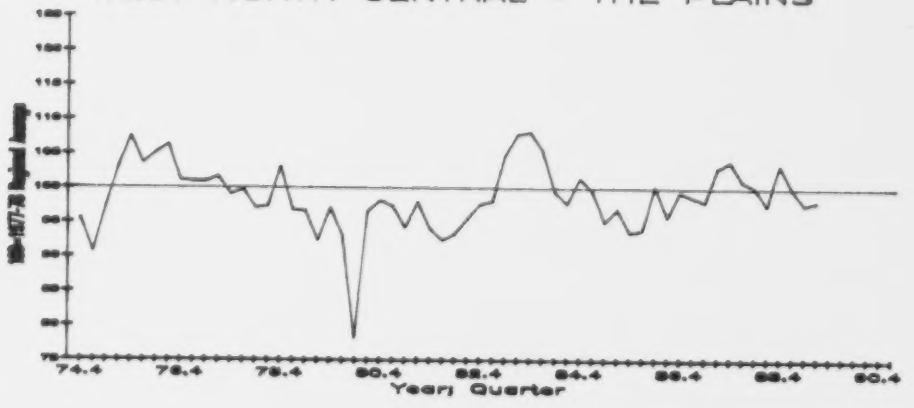
EAST NORTH CENTRAL - THE GREAT LAKES



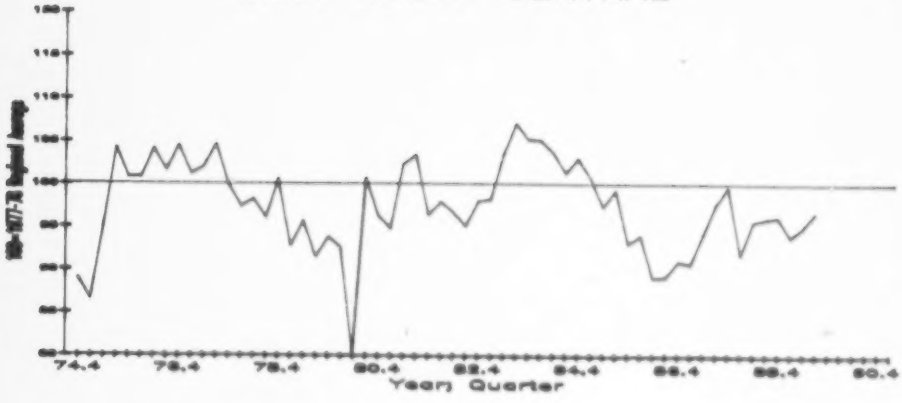
EAST SOUTH CENTRAL



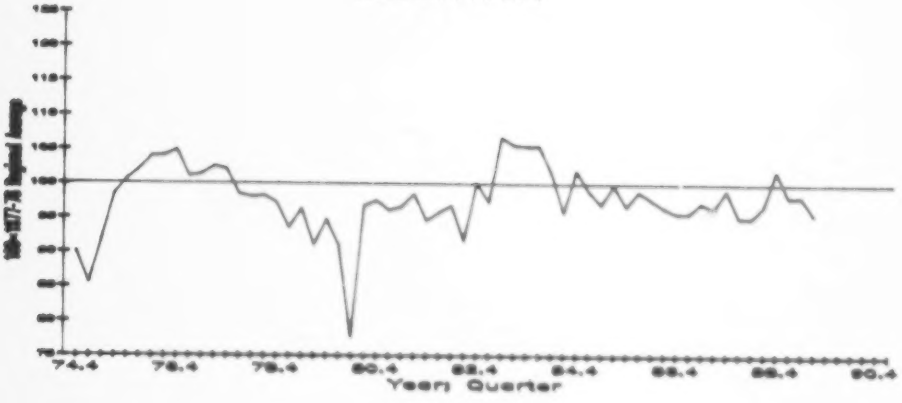
WEST NORTH CENTRAL - THE PLAINS



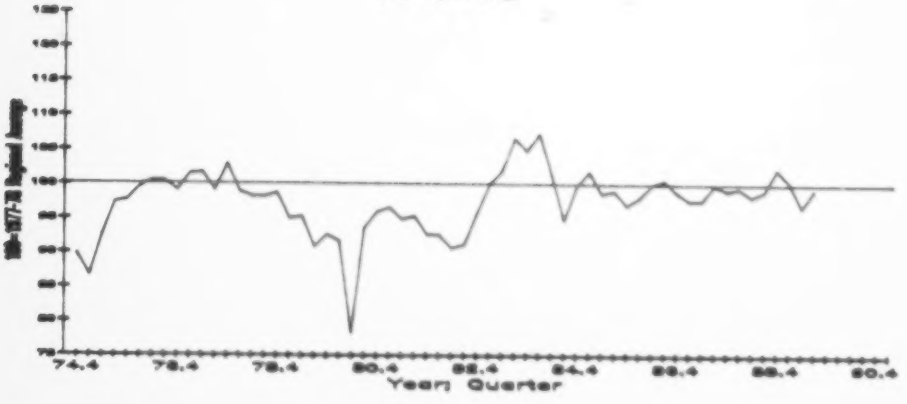
WEST SOUTH CENTRAL



MOUNTAIN



PACIFIC



APPENDIX

TABLE A-1
DESCRIPTION OF INDUSTRY CLASSIFICATIONS

INDUSTRY	INDUSTRY EXAMPLES
Construction	Construction (building contractors-general, painting, carpentry, plumbing, heating, electrical, etc., highway & bridge contractors; swimming pool construction, etc.)
Manufacturing	Manufacturing and mining (including dairy processor, printer, publisher)
Transportation	Transportation, travel agency, communication, public utilities (truckers, movers, broadcasters, etc.)
Wholesale	Wholesale (including grain elevator, livestock dealer, distributor of construction equipment, etc.)
Retail	Retail sales (including food store, service station, restaurant, bar, radio and TV store, drug store, furniture and appliances, auto dealer, etc.
Agriculture	Agriculture veterinarian, forestry, landscaping, fisheries
Financial Services	Finance companies, insurance, real estate, banks, savings & loans, etc.
Nonprofessional Services	Beauty salon, barber shop, garage, motel, hotel, repair service, bookkeeping services, photographer, funeral director, rental agency, credit bureau, laundry, etc.
Professional Services	Physician, dentist, attorney, optometrist, engineer, architect, accountant, skilled nursing care facility, etc.

TABLE A-2
DEFINITION OF REGIONS

REGION	STATES INCLUDED IN REGION
New England	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
Mid-Atlantic	New Jersey, New York, Pennsylvania
East North Central	Illinois, Indiana, Michigan, Ohio, Wisconsin
West North Central	Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
South Atlantic	Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia, (also includes Washington, D.C.)
East South Central	Alabama, Kentucky, Mississippi, Tennessee
West South Central	Arkansas, Louisiana, Oklahoma, Texas
Mountain	Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming
Pacific	Alaska, California, Hawaii, Oregon, Washington

TABLE A-3
ANNUAL GROSS SALES BY INDUSTRY

SALES OF FIRM	Construction	Manufacturing	Transportation	Wholesale	Retail	Agriculture	Financial Services	Non-Professional Services	Professional Services	All Firms July 1989
	INDUSTRY									
Less than $50,000	5	1	8	1	7	13	6	16	11	7
$50,000-99,999	8	8	2	2	8	11	12	16	10	9
$100,000-199,000	15	13	14	4	14	21	16	22	21	15
$200,000-349,000	16	10	11	7	15	16	12	16	20	14
$350,000-799,999	19	20	13	14	25	17	19	13	18	19
$800,000-1,499,999	15	15	20	22	14	11	13	7	10	13
$1,500,000-2,999,999	10	14	14	22	8	2	6	4	2	9
$3,000,000 or more	10	17	14	24	8	7	13	5	6	11
Not Ascertained	2	2	4	4	1	2	3	1	2	3
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Number of Firms	262	252	64	132	534	84	152	247	117	1851
Percent of Firms	14	14	4	7	29	5	8	13	6	100%

* Less than 0.5%

TABLE A-4
NUMBER OF EMPLOYEES BY INDUSTRY

EMPLOYEES	Construction	Manufacturing	Transportation	Wholesale	Retail	Agriculture	Financial Services	Non-Professional Services	Professional Services	All Firms July 1989
	INDUSTRY									
1	8	2	6	4	5	7	6	11	11	6
2	5	4	3	8	9	20	12	15	14	9
3 - 5	26	21	22	19	32	33	41	34	30	30
6 - 9	20	14	19	22	20	20	15	19	21	19
10 - 14	14	17	14	16	14	2	9	5	7	12
15 - 19	8	9	13	8	5	4	2	4	5	6
20 - 39	10	16	11	14	7	5	7	5	1	8
40 or more	8	16	13	8	7	8	5	6	9	9
No Answer	1	1	*	1	1	1	3	1	2	1
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

NFIB QUARTERLY ECONOMIC SURVEY

Please (circle) the appropriate answers or fill in the blanks.

1. What is your form of business organization?

[1] Proprietorship [2] Partnership [3] Corporation 1

2. Please classify [your major business activity] using [one] of the categories of examples below (If more than one applies, circle ***the one*** which contributes the most toward your gross sales or total revenues.)

[1] Construction (general contractor, painting, carpentry, plumbing, heating, electrical, highway, ***etc.***)
[2] Manufacturing and mining (including dairy processor, printer, publisher, ***etc.***)
[3] Transportation, travel agency, communication, public utilities (truckers, movers, broadcasters, ***etc.***)
[4] Wholesale (including grain elevator, livestock dealer, distributor of equipment, manufacturer's rep., ***etc.***) 2
[5] Retail (including service station, restaurant, bar, radio and TV store, drug store, florist, apparel, ***etc.***)
[6] Agriculture, veterinarian, forestry, landscaping, fisheries, ***etc.***
[7] Financial, insurance, real estate, bank, savings & loan, ***etc.***
[8] Beauty salon, barber shop, garage, motel, hotel, repair service, bookkeeping service, photographer, funeral director, rental agency, credit bureau, laundry, ***etc.***
[9] Physician, dentist, attorney, engineer, architect, accountant, skilled nursing care facility, ***etc.***
[10] Other (please describe)_____

3. What is the [single] most important problem facing [your business] today? (Please circle only **ONE** of the following):

[1] Taxes
[2] Inflation
[3] Poor sales
[4] Interest rates & financing
[5] Cost of labor
[6] Government regulation(s) & red tape
[7] Competition from large businesses
[8] Quality of labor
[9] Shortage of fuels, materials or goods 3
[0] Other_____ (please explain)

4. Do you think the ***next three months*** will be a good time for small business to expand substantially?

[1] Yes [2] No [3] Uncertain 4

4a. Why? (Circle **ONE** answer – ***most important reason***)

[1] Economic conditions
[2] Sales prospects
[3] Financing & interest rates
[4] Cost of expansion
[5] Other_____ (please explain) 5

5. About the [economy in general,] do you think that ***six months from now*** general business conditions will be better than they are now, about the same, or worse?

[1] Much better
[2] Somewhat better
[3] About the same
[4] Somewhat worse
[5] Much worse
[6] Don't know 6

6. During the last 3 months or calendar [quarter,] what were your [gross sales,] or revenues?

[1] Under $12,500
[2] $12,500–24,999
[3] $25,000–49,999
[4] $50,000–87,499
[5] $87,500–199,999
[6] $200,000–374,999
[7] $375,000–749,999
[8] $750,000 or more 7

6a. During the ***last calendar quarter,*** was your dollar sales volume higher, lower, or about the same as it was ***for the quarter before***?

[1] Much higher [2] Higher [3] About the same [4] Lower [5] Much lower 8

6b. If [higher or lower,] by approximately what percentage?

[1] Less than 6%
[2] 6%–10%
[3] 11%–15%
[4] 16%–20%
[5] 21%–25%
[6] 26%–35%
[7] 36%–50%
[8] 51% or more 9

7. Were your [net earnings] or "income" (after taxes) from your business during the ***last calendar quarter*** higher, lower, or about the same as they were ***for the quarter before***?

[1] Much higher [2] Higher [3] About the same [4] Lower [5] Much lower 10

7a. If [higher or lower,] by approximately what percentage?

[1] Less than 6%
[2] 6%–10%
[3] 11%–15%
[4] 16%–20%
[5] 21%–25%
[6] 26%–35%
[7] 36%–50%
[8] 51% or more 11

7b. If higher or lower, what is the ***most important reason***? (Circle only **ONE**)

[1] Sales volume
[2] Labor costs
[3] Cost of materials
[4] Availability of materials
[5] Received higher prices for your product or service
[6] Financing costs
[7] Usual seasonal change
[8] Other _____ (Specify)

12

8. Overall, what do you expect to happen to the real ***volume*** (number of units) of goods and/or services that you will sell during the ***next three months***?

[1] Go up a lot
[2] Go up a little
[3] Stay the same
[4] Go down a little
[5] Go down a lot
[6] Don't know

13

9. How are your average selling prices now compared to three months ago?

[1] Lower now
[2] No difference
[3] Higher now
[4] Don't know

14

9a. If ***higher or lower***, by what percent, on an average?

[1] Less than 1%
[2] 1.0–1.9%
[3] 2.0–2.9%
[4] 3.0–3.9%
[5] 4.0–4.9%
[6] 5.0–7.9%
[7] 8.0–9.9%
[8] 10% or more
[9] Don't know

15

10. In the ***next three months***, do you plan to ***change*** the average selling prices of your goods and/or services?

[1] Yes, raise prices
[2] Yes, lower prices
[3] No change
[4] Don't know

16

10a. If raise or lower, by what percent, ***on average***?

[1] Less than 1%
[2] 1.0–1.9%
[3] 2.0–2.9%
[4] 3.0–3.9%
[5] 4.0–4.9%
[6] 5.0–7.9%
[7] 8.0–9.9%
[8] 10% or more
[9] Don't know

17

11. How many employees do you have full and part-time ***including yourself***?

[1] One
[2] Two
[3] 3–5
[4] 6–9
[5] 10–14
[6] 15–19
[7] 20–39
[8] 40 or more

18

12. During the ***last three months***, did the ***total*** number of employees in your firm increase, decrease, or stay about the same?

[1] Increased by _____ employee(s)
[2] Decreased by _____ employee(s)
[3] Stayed the same

19-21

12a. If the ***total number*** of employees increased or decreased was this change due primarily to ***seasonal factors*** affecting your business?

[1] Yes
[2] No

22

13. In the ***next three months***, do you expect to increase or decrease the total number of people working for you?

[1] Increase
[2] Keep the same
[3] Decrease

23

14. Do you have any job openings that you are ***not*** able to fill right now?

[1] Yes, for skilled labor
[2] Yes, for unskilled labor
[3] Yes, both skilled and unskilled labor
[4] No

24

14a. If you have any openings, about how long have these jobs been available? (Circle **ONE** category which best describes your overall situation):

[1] Less than one month
[2] One month, but less than three months
[3] Three months, but less than six months
[4] Six months or more

25

15. During the last three months, did you increase or decrease your inventories?

[1] Increase
[2] About the same
[3] Decrease
[4] Not appropriate

26

15a. If increase or decrease, by approximately what percent?

[1] Less than 6%
[2] 6%–10%
[3] 11%–15%
[4] 16%–20%
[5] 21%–25%
[6] 26%–35%
[7] 36%–50%
[8] 51% or more

27

16. At the present time, do you feel your inventories are too large, about right, or inadequate?

[1] Too large
[2] About right
[3] Too low
[4] Not appropriate

28

16a. Looking ahead to the next three to six months, do you expect, on balance, to add to your inventories, keep them about the same, or decrease them?

[1] Add
[2] Keep the same
[3] Decrease
[4] Not appropriate

29

(See next page)

17. If you borrow money regularly (at least once every 3 months) as part of your business activity, how does the rate of interest payable on your most recent loan compare with that paid ***three months ago***?

[1] Much higher
[2] Higher
[3] Same
[4] Lower
[5] Much lower
[6] Don't know
[7] Inapplicable, do not borrow regularly

30

17a. Are these loans easier or harder to get than they were ***three months ago***?

[1] Easier
[2] Same
[3] Harder
[4] Don't know

31

17b. Do you expect to find it easier or harder to obtain your required financing during the ***next three months***?

[1] Easier
[2] Same
[3] Harder
[4] Don't know

32

18. If you borrowed within the last three months for business purposes, and the loan maturity (pay back period) was 1 year or less, what interest rate did you pay? _____ % or Prime + _____

33-35

19. During ***the last 6 months*** has your firm made any capital expenditures to improve or purchase equipment, buildings, or land? (Check all that apply)

Equipment, Vehicles	[1] Yes	36
Additional Buildings	[1] Yes	37
Improved Buildings	[1] Yes	38
Additional Land	[1] Yes	39

19a. ***If yes***, what was ***the total cost*** of these projects (i.e. total purchase price)?

[1] under $1,000
[2] $1,000-4,999
[3] $5,000-9,999
[4] $10,000-19,999
[5] $20,000-49,999
[6] $50,000-99,999
[7] $100,000-499,999
[8] $500,000-999,999
[9] $1 million or more

40

20. Looking ahead to the next three to six months, do you expect to make any capital expenditures for plant and/or physical equipment?

[1] Yes
[2] No
[3] Don't know

41

PLEASE DO NOT REMOVE ADDRESS LABEL
(Needed for compiling geographical and industry information)

21. Do you plan to change ***average*** employee compensation (wages and benefits but NOT Social Security, U.C. taxes, etc.) during the ***next three months***?

[1] Increase
[2] Keep the same
[3] Decrease
[4] Don't know

42

21a. If Increase or Decrease, by what percentage on average?

[1] 1-2%
[2] 3-4%
[3] 5-6%
[4] 7-8%
[5] 9-10%
[6] Over 10%
[7] Don't know

43

22. Over the ***past three months***, did you change ***average*** employee compensation (wages and benefits but NOT Social Security, U.C. taxes, etc.)?

[1] Increased
[2] Kept the same
[3] Decreased

44

22a. If Increased or Decreased, by what percentage on average?

[1] 1-2%
[2] 3-4%
[3] 5-6%
[4] 7-8%
[5] 9-10%
[6] Over 10%

45

23. Please indicate the geographical area that best describes the community in which your business is located.

[1] A metropolitan/urban area (population of over 100,000 in city and immediate area)
[2] A small city (population over 15,000 but under 100,000 in city and immediate area)
[3] A rural area (population under 15,000 in city and surrounding communities)

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